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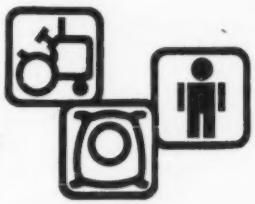
FARM INPUT UPDATE See p. 3



Approved by the Outlook and Situation Board, March 26, 1974

Economic Research Service U.S. Department of Agriculture

FARMERS REPEAT: THEY WILL PLANT ALL OUT

Surveyed for the second time this spring, farmers have reiterated their intentions for a generally sharp acreage expansion in 1974. The outcome this fall could be enormous crops of grains, more cotton, and a soybean crop about like last year.

Planting Plans

As of January 1, date of the first 1974 planting survey, farmers reported they would plant more wheat, corn, and cotton than last year, but shave soybeans and rice. Now, as of March 1, farmers intend to:

**Plant more spring wheat than indicated in January. Including winter wheat, reported in December, total acreage would be 70.7 million, up more than 10 million from 1973.

**Put in nearly 79 million acres of corn, compared with 72 million last year. Acreage going into other feed grains is down a little. So the total is up only about 5 million to 126.2 million acres for 1974.

**Plant 55 million acres to soybeans, off 2.3 million from last season.

**Boost upland cotton acreage nearly a fifth over last year, to 14.7 million.

Crop Outcomes

By assigning likely yield for each of these crops, USDA can figure possible crop production this summer and fall. The calculations take into account long-term trends, but assume "normal" weather patterns, since it's much too early to gauge actual field conditions. They also consider the problems that fuel and fertilizer could create. If supplies of these inputs turn out to be shorter than expected, this could shave yields. But the impact on yields could easily be overestimated, as "Fertilizer Questions," on page 3, suggests.

Wheat

Acreage would be the largest since 1953 and could produce a crop of about 2.1 billion bushels. There has been some deterioration of the winter wheat crop in areas of the Southwest. However, improved winter wheat conditions in other areas may offset these potential losses.

The import estimate for the 1973/74 marketing year has been increased to 5 million bushels, from 1 million predicted earlier in the season, to reflect some U.S. imports of wheat and products from Canada as a result of the suspension of import quotas until June 30, 1974. This has meant a slight increase in the expected carryover July 1, 1974.

Rice

Production of 111 million cwt. is projected, up sharply from less than 93 million last year, reflecting a likely recovery in yields from last year's poor performance and larger acreage.

Feed Grains

Intended corn acreage could yield a crop of around 6.7 billion bushels, nearly a fifth above production of the past 3 years.

This production figures a yield of 97 bushels per acre, just like 2 seasons back, but up from 91 last year. For a closer look at why USDA projects this rebound, see "High Corn yields Possible", page 3.

All in all, a huge feed grain crop is in the works. Combined in terms of tonnage, all 4 feed grains harvested last year came to 205 million tons. But this year, with more acres and bigger yields expected, a harvest of 234 million tons is possible. This would help boost our ending stocks of feed grains in the fall of 1975 to 37.8 million tons from the estimated 24.5 million tons in store this year.

Soybeans

Intentions data indicate a small shift from soybeans to corn in the Western Corn Belt since January. The 1974 crop is now projected at 1.54 billion bushels, nearly the same as the January projection.

Cotton

Much of this year's planned 19-percent acreage increase is in the Delta, which was hard hit by flooding a year ago. A prospective 34-percent increase in this region compares with increases of 27 percent in the West, and 9 percent in both the Southwest and Southeast. So production should top last season's 12.9 million bales and be adequate for prospective domestic and export use during 1974/75.

POULTRY EXPANSION

Broilers

Broiler production gained last fall and exceeded year-earlier levels. Production continues to pick up this year.

Output through February was up almost 4 percent, and marketings during March-April may be up 5 percent. Output likely will ease during the heavy marketing season this summer but average above a year ago.

Expansion in broiler output this fall will hinge on the developing feed crop situation as well as the outlook for pork and beef supplies and prices.

Wholesale prices for broilers this spring may average a little below the 42 cents for April-June 1973. Prices will continue strong in the summer but average well below the 56 cents of a year earlier.

Turkeys

Turkey meat output will be up substantially in the seasonally light first half. Poult production during September 1973-January 1974 indicates it may rise by 15 percent from January-June 1973.

Growers in 20 States plan to raise 6 percent more turkeys in 1974 than in 1973, and could increase this year's crop by more than this announced intention. Yet uncertain feed prices, the energy shortage, larger cold storage turkey stocks, and declining prices may cause producers to lower their sights for the main (March-July) hatching season.

BROILERS DESTROYED

Several Mississippi broiler flocks, with 8 million birds, are contaminated with excessive residues of the pesticide Dieldrin. Many will be destroyed in coming weeks, which could lower U.S. broiler marketings in April a little. About 60 million birds a week were indicated for April marketing.

Wholesale turkey prices may rise in coming months, attuned to rising red meat prices, but likely could average well below last spring.

Eggs

Egg production will remain above year-earlier levels for the balance of 1974. The laying flock was down 2 percent as 1974 begin but the rate of lay was up 1 percent. Layer numbers will continue to gain, and the increased number of younger birds in the flock will hold the rate of lay above 1973.

New York wholesale prices for Grade A large eggs continued strong, about 74 cents a dozen in January. However, prices dropped to 60 cents a dozen by mid-March. This still left them 5 cents more than in March 1973.

Egg prices likely will weaken after Easter. Spring prices may average near year-earlier levels. Prices likely will increase seasonally in the summer and fall but average moderately below July-December 1973.

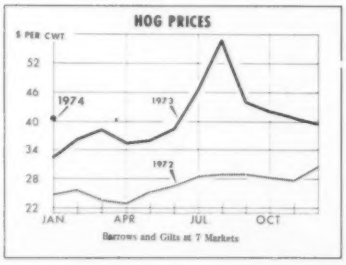
HOG SLAUGHTER PICKS UP

Hog slaughter the rest of 1974 may pick up some from last year's reduced pace, and prices may be lower than in the second half last year.

A 14-State March 1 survey found 4 percent more market-type hogs than a year before, in weight groups likely to go for spring slaughter.

The survey also found farmers planning a little smaller spring pig crop than last year. Spring pigs contribute heavily to summer and fall marketings. Even so, these marketings may top the reduced 1973 pace, when weight gains were lagging the norm and producers were saving some animals for sale in 1974.

Hog prices should strengthen seasonally, peaking in the low $40's this summer, but will be well below the $45 average for the last half of 1973.



LARGER SOYBEAN SUPPLIES

Don't take farmers' intentions to plant less soybeans as a sign of shrinking supplies. For the 1974/75 marketing season, supplies may be up a tenth. It's due to bigger beginning stocks.

Based on March 1 planting intentions and a little better yield than last year, the 1974 crop could hit 1.54 billion bushels, vs. 1.57 billion last year. Add to this 240 million bushels likely to be carried over this August 31, up sharply from 60 million on hand the year before. So total supplies could push 1.8 billion bushels.

It looks like soybeans exports will go even higher in 1974/75, reaching 575 million bushels. And domestic use will be up, too. So overall soybean use next season could rise to about 1.5 billion bushels, leaving a carryover in August 1975 of about 300 million bushels.

Soybean Price Trends

During September-March farm prices averaged about $6 per bushel, compared with around $4 for this same period last year. However, prices are more stable this year. Over the next few months they will be highly sensitive to 1974 crop plantings and outlook, as well as to world economic and political developments.

Soybean oil prices (crude, Decatur) continue high. They reached an alltime peak of 36½ cents per pound in February but declined to about 31 cents in March. So far this season they have averaged 28 cents per pound, compared with about 11 cents last year. Prices are expected to continue strong, at least until soybean oil production overtakes demand and pipeline stocks increase to more comfortable levels.

Soybean meal prices (44% protein, Decatur) in March averaged $149 per ton, down sharply from the $412 of last June and the lowest since November 1972. The decline reflects increased soybean meal production and a more ample supply in relation to demand.

FERTILIZER QUESTIONS ANSWERED

It's not news on the fertilizer scene that farmers won't get all the fertilizer they could use this season. But it now appears that shortages may not hurt yields much. Here are some pertinent questions, with replies:

How much will farmers get? This year's supply of nitrogen is expected to be up 8 percent (700,000 tons) from last year, but is about a half-million tons shy of what farmers would use at recent application rates. Earlier forecasts pegged the shortage at a million tons because of expanding nitrogen exports. The Cost of Living Council action last October freed fertilizer of price controls, which limited the size of projected exports.

This shortage will allow only slight increases in application rates of nitrogen on 1974 crops.

Since available phosphate supplies may not equal or may even fall below last season, and since about 5 percent more acres will be harvested, there will be a shortage, and application rates of phosphates could go down by as much as 5 percent.

Farmers also are expected to want about 7 percent more potash, and should get it if adequate transportation can be made available.

How much will N & P shortages reduce yields? Not much. Weather has been good so far. Nitrogen application rates for most crops will likely be higher than last year. Farmers ordinarily put on much more phosphates than needed for the crop, in order to build up soil reserves. So a lower rate this season shouldn't rob the current crop.

What has happened to fertilizer exports? Net nitrogen exports may decline this season; phosphate exports will rise. If price controls hadn't been lifted last October, exports could have been larger, in light of rapidly rising fertilizer prices abroad.

We import nitrogen as well as export it. So you have to talk about the net difference. Net, we'll export about 450,000 tons this season, a shade under last season.

Again on a net basis, we'll export 1.3 million tons of phosphates this season, vs. 1.1 million last season. We are the leading exporter of phosphate products, and supply almost a third of world export needs.

We import over half of our potash from Canada. Net imports this season may be up to 3 million tons from 2.3 million last season.

What about prices? Look for continuing increases. After the price lid was lifted last October, prices went up 40-60 percent, catching up with higher foreign fertilizer prices. But these levels have since gone way up, and are once again well above U.S. prices.

Meanwhile, U.S. farmers are bidding on available supplies this season that are smaller than their potential needs.

What's the long-range outlook? Look for tight fertilizer supplies, at least for several years—especially nitrogen. There are two hangups: plant capacity and raw materials.

Phosphate output, though now behind demand, may be off the hook in 2 or 3 years, as construction of new plants is completed. Yet only two new nitrogen plants are under construction in the United States. Unless more plants are announced soon, we'll still be playing catch-up in 1980. Alternatively, we may rely heavily on Canada and other countries for our nitrogen.

There are enough raw materials worldwide to make the fertilizer we need. But reserves are located in a few places. It will take much more international trade to distribute nitrogen, phosphate, and potash for most efficient fertilizer production and use.

HIGHER CORN YIELDS?

Last year was hard on corn yields. They sagged to 91½ bushels per acre, from a record 97 bushels per acre in 1972. Planting last year was delayed by heavy spring rains.

What about this season? Weather's been OK so far, but fertilizing, cultivating and harvesting, and finally drying could be hampered by the energy crisis. Fertilizer production is expanding, but not in line with expected demand. Fuel supplies are tight. And the supply of propane, needed for crop drying, has been a cause for concern.

That's why a lot of industry people gulp a little when they hear USDA sticking by its projected yield for corn this season—right back up to 97 bushels.

The logic behind this projection is outlined below. Remember though, that anybody's projection, made before the season begins, may not prove as seaworthy as estimates made during the growing season and after harvest, using surveys of actual growing and weather conditions.

USDA came up with a 97-bushel projection because:

**Fuel, fertilizer, and other ag chemicals, although in tight supply, will be generally adequate for this kind of yield. And we don't think fertilizer application rates are going to change much.

**It's assumed, as with any such projection, that normal weather will prevail.

**The wet spring last year cut plant population per acre in the Midwest. But population is likely to resume its long uptrend in 1974.

**Most of the expected acreage increase is in States with above-average corn yields.

**Past years have proven that record yields can be set even in years when corn acreage expands sharply.

**Farmers have 2 years of rising incomes behind them, providing the capital to buy more and better technology for increasing crop production.

FARM FINANCES ARE FAVORABLE

Most farm operators are expected to close out 1974 in favorable financial condition with net farm incomes high and loan funds relatively easy to obtain.

Realized net farm income in 1974 is expected to decline from the record income of over $26 billion registered in 1973 but would be the second highest on record.

Interest rates on farm loans are now expected to moderate somewhat from the highs experienced in the second half of 1973. Interest rates on new real estate-secured loans likely will average 8.0 percent during 1974, with interest rates on loans not secured by real estate assets averaging 8.5 percent.

Balance sheet comparisons, for January 1, 1974, and forecast for next January 1, are as follows:

	1974	1975	Change
	Billion dollars	*Billion dollars*	*Percent*
Farm sector assets	460	521	+13
debts	82	94	+14
equities ...	378	427	+13

Although the use of loan funds relative to income is expected to increase as a source of financing, rising real estate prices, high livestock and grain prices, and high prices for used machinery will sharply increase the value of farmers' equity in physicial assets again this year.

A projected $11.9 billion increase in debt excluding CCC nonrecourse loans tops 1973's record volume by $1.8 billion. Farmers will readily be able to obtain these funds.

Rural banks can be expected to increase funds for lending in proportion to deposit growth. PCA's and the Federal land banks can be expected to sharply increase their demands on central money markets and farm real estate sellers and other individuals can be expected to increase their lending in line with the rise in real estate prices. On the other hand, the FHA share of the increase is expected to be relatively small. Also, insurance company contributions to the increase in farm sector lending will be relatively low.

A SELLER'S MARKET FOR RICE

Strong world demand has made the 1973/74 season a seller's market. Next season should bring bigger crops and easing prices.

Our own rice supplies for 1973/74 total 98.1 million hundredweight (cwt.), scarcely more than the preceding season. Late planting and Hurricane Delia nullified much of the effect of sharply expanded rice acreage, while a lower carryin offset the rest.

Everyone wants more rice this season. Domestic use in 1973/74 is increasing by 5 percent. Exports may reach 54½ million cwt., up 3 percent, as larger commercial shipments offset a big drop in food aid shipments.

The impetus for rice trade comes from a 4-percent drop in the 1972/73 world rice harvest. This drop, though small, was concentrated in Asia, and hit Burma and Thailand, limiting their export supplies. These two nations ordinarily provide a third of the world's rice exports.

As rice supplies tightened, world trade prices moved up. This January at Bangkok they were triple the January 1973 level. Booming prices for other grains, continuing strong import demand, and uncertainty about available exportable supplies pushed prices to record highs.

U.S. farm prices started out at $9 per cwt. last August, but surged with the world market to $17.10 in November, and recently approached that level again. Prices will continue very high, but may weaken if world food grain prospects pick up and our own 1974 rice crop develops satisfactorily.

Looking to Next Season

With rice a hot item, our rice stocks are likely to stay minimal this summer. August 1 stocks could be the same as the 5 million cwt. "pipeline" level of last August. However, more rice is in prospect, both at home and abroad.

Reports from the important "rice bowl" countries of Southeast Asia indicate a return to more abundant harvests this season. Current estimates place the 1973/74 world crop at a record 310 million metric tons of paddy, up 8 percent from last year's poor harvest.

Responding to the increase in the 1974 rice acreage allotment and record prices, U.S. farmers in March indicated intentions to seed 2.4 million acres. If yield per acre returns to a more normal level of around 4,700 pounds, the 1974 crop could total a record 111 million cwt., pushing projected supplies for 1974/75 to a new high of about 116 million cwt.

Both foreign and domestic demands are expected to continue strong.

Total use of U.S. rice could approach 100 million cwt. for the first time. However, carryover by August 1975 would be well above the pipeline levels of this season, suggesting lower average farm prices for 1974/75.

BIG TOBACCO CROP

U.S. tobacco growers plan to boost plantings about a tenth from the 890,000 acres harvested last year. An increase of 50,500 acres is in prospect for flue-cured. Farm quotas are up 12 percent, primarily due to the increase basic quotas. Burley acreage may gain 37,700 acres due to a jump in the basic quota and the large under-marketings of last year's market quota.

With average growing conditions the prospective tobacco acreage indicates a crop of 2 billion pounds, 14 percent more than last year. But sharply higher prices of fertilizer and fuel may curb tobacco output. With a smaller carryover expected, the supply could stay about the same as in 1973/74.

Last year's output of cigarettes increased 7.5 percent to 644 billion. U.S. smokers puffed a record 591 billion cigarettes—4.6 percent more than the previous year. Consumption per adult rose 3 percent to 4,155 cigarettes (208 packs), the sharpest rise in over a decade.

Per capita use may increase again. So with increasing population, this year's total cigarette consumption should also rise.